

VZCZCXRO6690  
RR RUEHLN RUEHVK RUEHYG  
DE RUEHMO #1676/01 1631443  
ZNR UUUUU ZZH  
R 111443Z JUN 08  
FM AMEMBASSY MOSCOW  
TO RUEHC/SECSTATE WASHDC 8570  
INFO RUEHLN/AMCONSUL ST PETERSBURG 4984  
RUEHVK/AMCONSUL VLADIVOSTOK 2869  
RUEHYG/AMCONSUL YEKATERINBURG 3212  
RUEHHE/AMEMBASSY HELSINKI 3359  
RUEHTL/AMEMBASSY TALLINN 2742  
RUEHRA/AMEMBASSY RIGA 5401  
RUEHVL/AMEMBASSY VILNIUS 3145  
RUEHWR/AMEMBASSY WARSAW 2328  
RUEHNY/AMEMBASSY OSLO 1724  
RUEHKV/AMEMBASSY KYIV 0252

UNCLAS SECTION 01 OF 02 MOSCOW 001676

SENSITIVE  
SIPDIS

FOR CA/FO, CA/VO, CA/FPP, EUR/RUS

E.O. 12956: N/A

TAGS: [CASC](#) [CVIS](#) [PGOV](#) [RS](#)

SUBJECT: Challenges of Doing Business in Russia: Visa Regime Changes

Ref: (A) 07 Moscow 4974  
(B) 08 Moscow 0218

¶1. (SBU) Summary: Late last year Russia implemented a new visa regime which limits foreigners with business or humanitarian (i.e., students, missionaries, and individuals traveling for scientific, cultural, or sporting activities) visas to a 90-day stay in any 180-day period. Standard work permits, however, allow one-year, multiple entry work visas. As a result, more and more U.S. businesses are opting for such permits, which are subject to region-specific numerical quotas. Because the Moscow-region quota was recently reached, employees of some U.S. businesses have been unable to obtain a visa. The Government of Russia (GOR) has told companies that it plans to temporarily increase the quota in the next few months. Companies have noted that the same problem will arise next year unless GOR makes the quota increase both substantial and permanent.

¶2. (SBU) None of the companies interviewed believed the visa regime changes were particularly unfair or designed to push western businesses out of Russia. Nor did the companies interviewed claim they were specifically targeted by GOR in any other way. The complaints about doing business in Russia faced by both Russian and non-Russian firms were more about corruption and the overly bureaucratic regulatory framework. End Summary.

#### Russian Visa Regime

¶3. (U) In late 2007, the Ministry of Foreign Affairs (MFA) announced changes to the Russian visa regime (Refs A and B). Previously, holders of business and humanitarian (i.e., students, missionaries, and individuals traveling for scientific, cultural, or sporting activities) visas, similar to the U.S. B-1/2 visa, were allowed to stay up to 180 days at a time in Russia with the option of continual renewals. In October of 2007, GOR limited holders of business or humanitarian visas to a 90-day stay in any 180-day period. In essence the changes mean that foreigners with these types of visas are limited to no more than 180 days per year. When the rules were clarified in January 2008, GOR explained that the rules did not apply to work permits, which allow employees of foreign businesses to obtain one-year, multiple entry visas. In order to obtain a work permit, an applicant must have a contract with an employer that is registered with the Russian Federal Migration Service.

¶4. (U) When these changes were announced, some U.S. citizens expressed concern about the difficulty of continuing their Russian operations under these restrictions. The majority of complaints have

arisen from missionaries, students, small businessmen, and consultants. These categories of visa applicants are either ineligible for a work permit or cannot afford the time and expense of obtaining one. Most large, well-established companies are already using work permits. Applying for a work permit can be a lengthy process, requiring the company to obtain employment authorization and the employee to have an approved physician certify that he or she is free of tuberculosis, HIV, and leprosy, among other diseases, and is not a drug addict. However, the primary concern with work permits relates to the quotas for applicants from outside the Commonwealth of Independent States. GOR only issues so many of these per year for specific areas of the country (the figure for the Moscow region is 105,000) and holders of a work permit in one region may not work more than a specific number of days in another region.

#### Effect of Changes on U.S. Businesses in Russia

15. (SBU) The direct effect of the changes on large U.S. corporations has been minimal because most employees already had work permits. Such companies often employ a large staff devoted to dealing with work permits and visa issues. An executive with Topcon, a U.S. subsidiary of a Japanese corporation, involved in the global positioning systems industry, said renewing work permits is relatively easy when you understand the process, and takes only a few weeks. In general, companies entering the Russian market do not find the process for obtaining work permits particularly burdensome.

16. (SBU) The primary difficulty with work permits are the quotas - GOR issues only so many per year. According to recent media

MOSCOW 00001676 002 OF 002

reporting, the quota for the Moscow region is 105,000. As greater numbers of businesses apply for work permits, the annual work permit quota will be met even earlier. Already some foreign corporations have been unable to obtain work permits for their employees. Procter & Gamble (P&G), for example, said that it has eight employees stranded in the U.S. because the work permit quota has been filled. They were told that GOR plans to offer a one-time increase in the quota in the next few months. In the mean time, P&G has said it will use business visas (subject to the 90-day rule) as a temporary solution. The difficulty with such visas is that employees are unable to open bank accounts, sign leases, and enroll their children in school. An executive with P&G also said he knew that there are over 20 employees of TNK-BP in a similar situation.

17. (SBU) The difficulty with work permit quotas will likely increase. The booming Russian economy and the burgeoning middle class are likely to draw more and more foreign businesses to Russia. United Airlines, for example, intends to begin offering direct flights between Moscow and the U.S. in October of 2008. Unless GOR dramatically increases the quota for work permits, demand will continue to outpace supply, which may limit the entry and expansion of U.S. and other international firms in Russia or require them to have a predominantly Russian staff.

18. (SBU) Comment: The MFA has maintained that the changes to the visa regime were designed to harmonize Russian visa regulations with those of Schengen countries. They apparently were not intended to limit or prevent U.S. businesses from operating in Russia. The numerical quotas, however, particularly with respect to Moscow, ultimately may have such an effect. In line with our previous reporting on this issue, we will continue to closely track these issues and monitor the effects on U.S. businesses. End Comment.

Russell